

Message Text

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ORIGIN SS-30

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DRAFTED BY NEA/ARP:BWRAMPPELMEIER:BDF:RJW

APPROVED BY D - THE DEPUTY SECRETARY

NEA - MR. DAVIES (DRAFT)

EB - MR. ARMSTRONG (DRAFT)

E - MR. CASEY (DRAFT)

S/S - MR. GAMMON

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FM SECSTATE WASHDC

TO USINT ALGIERS

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMCONSUL DHAHRAN

AMEMBASSY TRIPOLI

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION USUN NEW YORK

AMEMBASSY TEL AVIV

AMEMBASSY VIENNA

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EXDIS

E.O. 11652 GDS

TAGS: PFOR, MOPS, ENRG, SA, KU

SUBJECT: OIL COMPANY OFFICIALS' MEETING WITH DEPUTY
SECRETARY OCTOBER 10

SUMMARY: BOARD CHAIRMEN OF GULF AND EXXON MET WITH DEPUTY
SECRETARY AND UNDER SECRETARY CASEY OCTOBER 10. GULF

CHAIRMAN DORSEY EXPLAINED HIS COMPANY SERIOUSLY FEARS THAT

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IF U.S. MAKES MOVE WHICH ARABS CONSIDER UNFRIENDLY, GULF
INTERESTS IN KUWAIT WILL BE NATIONALIZED. IF THIS
HAPPENED, SAUDI ARABIA WOULD LIKELY TAKE MOVE OF SOME SORT

ALSO. EXXON CHAIRMAN JAMIESON REPORTED SAUDI OIL MINISTER YAMANI HAD TOLD U.S. OIL NEGOTIATORS IN VIENNA THAT FAISAL 'ABSOLUTELY INFURIATED' WITH SECRETARY'S OCTOBER 6 MESSAGE AND THAT "SOON" SAUDIS MAY TAKE DECISION LIMIT OIL PRODUCTION TO 7 1/2 MILLION BPD WITH SUBSEQUENT PRODUCTION CUTS OF 5 PERCENT PER MONTH UNTIL ISRAEL WITHDRAWS FROM OCCUPIED TERRITORIES. JAMIESON STRESSED SERIOUSNESS WITH WHICH COMPANY VIEWS YAMANI'S WARNING. BOTH GULF AND EXXON REPRESENTATIVES STRONGLY URGED USG AVOID ACTIONS OR STATEMENTS ON MIDEAST SITUATION THAT MIGHT TRIGGER KUWAITI OR SAUDI ACTIONS AGAINST U.S. OIL INTERESTS. THEY URGED INSTEAD USG MAKE SOME "POSITIVE GESTURE" WHICH MIGHT HELP EASE PRESSURES ON ARAB OIL PRODUCERS TO ACT. DEPUTY SECRETARY RESPONDED THAT USG WELL AWARE SERIOUSNESS OF THIS SITUATION AND ASSURED COMPANY OFFICIALS THEIR VIEWS WOULD BE GIVEN SERIOUS CONSIDERATION. END SUMMARY.

1. EXXON CHAIRMAN KEN JAMIESON AND GULF CHAIRMAN DORSEY ACCOMPANIED BY GULF PRESIDENT JAMES LEE, VICE PRESIDENT HANSON AND GULF WASHINGTON REP NESTOR ORTIZ CALLED AT THEIR REQUEST ON DEPUTY SECRETARY AT 1730 ON OCTOBER 10. UNDER SECRETARY CASEY, ASSISTANT SECRETARY ARMSTRONG, AND NEA DEPUTY ASSISTANT SECRETARY DAVIES ALSO PRESENT. DORSEY EXPLAINED VISIT PROMPTED BY DISTURBING CABLE GULF HAD RECEIVED FROM ITS REPRESENTATIVES IN KUWAIT MORNING OCTOBER 10. GULF REPRESENTATIVE THERE HAD TALKED TO KUWAIT OIL MINISTER ATIQUI REGARDING RECENT KUWAITI INITIATIVE INVITE ARAB OIL MINISTERS TO IMMEDIATE MEETING TO DISCUSS ROLE OF OIL IN CURRENT MIDEAST CONFLICT. ATIQUI CONFIRMED HE HAD SENT MESSAGES TO OTHER MINISTERS AND WAS AWAITING REPLIES. ATIQUI THEN LAUNCHED INTO HIGHLY CRITICAL DISCUSSION OF U.S. STAND. ATIQUI WARNED U.S. NOT TO FORCE KUWAIT INTO DOING SOMETHING DRASTIC OR INTO ACTING PREMATURELY AGAINST U.S. OIL INTERESTS. WESTERN POWERS, ATIQUI SAID, MUST STAY OUT OF MIDEAST CONFLICT. GULF REPRESENTATIVE IN KUWAIT HAD INTERPRETED ATIQUI REMARKS AS MEANING THAT U.S. MOVE IN MIDEAST REGARDED AS UNFRIENDLY BY ARABS COULD SEVERELY JEOPARDIZE
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COMPANY'S POSITION IN KUWAIT. HOWEVER, FRIENDLY USG GESTURE COULD HELP GREATLY REDUCE THESE PRESSURES ON GOK TO ACT AGAINST U.S. INTERESTS.

2. GULF PRESIDENT LEE, WHO HAD BEEN IN KUWAIT DURING 1967 ARAB-ISRAEL CONFLICT AND IS WELL ACQUAINTED WITH ATIQUI AND WITH KUWAITI GOVERNMENT MENTALITY, EXPLAINED THAT IN PRESENT CHARGED-UP ATMOSPHERE ONE MOVE SUCH AS ANNOUNCEMENT U.S. SENDING REPLACEMENT AIRCRAFT TO ISRAEL WOULD BE ENOUGH TO TRIGGER NATIONALIZATION OF U.S. OIL INTERESTS THERE OVERNIGHT. THERE WOULD THEN UNLIKELY BE ANY RE-

TREAT BY GOK FROM THAT ACTION. LEE EXPLAINED WHY HE BELIEVED SITUATION IN KUWAIT TODAY DIFFERENT FROM THAT EXISTING IN 1967 ADDING THAT FESTERING MIDEAST SITUATION SINCE SIX DAY WAR HAD INCREASED PRESSURE ON GOK TO ACT THIS TIME. THERE WAS THE WEIGHT OF PARLIAMENTARY AND PUBLIC OPINION ON THE RULER FOR WHOM THE QUESTION WAS ONE OF SURVIVAL OF THE SABAH FAMILY. IF KUWAIT NATIONALIZED

GULF INTERESTS, SAUDI ARABIA WILL TAKE MOVE OF SOME SORT ALSO. SITUATION, LEE SAID, IS CRITICAL. WHILE MINISTER ATIQUI MAY HAVE BEEN SPEAKING EMOTIONALLY, LEE DID NOT REGARD HIS REMARKS AS MERE IDLE THREATS.

3. MR. DORSEY POINTED OUT THAT UNLIKE SITUATION IN 1967 ARABS NOW HAVE OIL COMPANIES AT THEIR MERCY. GULF HAD COME CLOSE TO BEING NATIONALIZED IN KUWAIT WHEN IRAQ NATIONALIZED ITS OIL INTERESTS. MR. DORSEY HAD RECENTLY BEEN IN KUWAIT HIMSELF AND MET WITH AMIR AND WITH PRIME MINISTER. FROM THESE CONVERSATIONS DORSEY CONVINCED ATIQUI IS SPEAKING FOR GOK.

4. MR. JAMIESON SAID SAUDI OIL MINISTER YAMANI HAD TOLD GEORGE PIERCEY, WHO REPRESENTING OIL COMPANIES IN TALKS WITH OPEC IN VIENNA, THAT SECRETARY'S OCTOBER 6 MESSAGE TO KING FAISAL HAD "ABSOLUTELY INFURIATED" KING. YAMANI ALLEGED HE PERSONALLY AND SAUDI GOVERNMENT WERE TAKING LARGE RISKS IN TRYING TO MAKE ANY DEAL WITH OIL COMPANIES AT THIS TIME. YAMANI THEN DELIVERED ULTIMATUM TO COMPANIES EITHER TO MEET YAMANI'S REQUEST FOR 100 PERCENT INCREASE IN GULF POSTED PRICE (FROM DOLLAR 3 TO DOLLAR 6

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PER BARREL) BY 5:00 P.M. VIENNA TIME OCTOBER 11 OR GOVERNMENTS LIKELY TO LEGISLATE INCREASED POSTED PRICE UNILATERALLY. JAMIESON SAID COMPANIES ARE DISCUSSING POSSIBLE COUNTEROFFER TO INCREASE POSTED PRICE BY DOLLAR 2 PER BARREL OR 2/3 OF YAMANI REQUEST. INDUSTRY REPRESENTATIVES WOULD BE MEETING IN NEW YORK MORNING OCTOBER 11 TO CONSIDER RESPONSE. JAMIESON SAID THERE SOME SENTIMENT, PARTICULARLY AMONG EUROPEAN COMPANIES, TO DO NOTHING AND LET PRODUCER GOVERNMENTS ACT UNILATERALLY. JAMIESON NOTED THAT 100 PERCENT INCREASE REQUESTED BY YAMANI WOULD YIELD SAUDIS DOLLAR 7 1/2 BILLION A YEAR.

5. JAMIESON SAID THAT YAMANI HAD ALSO STATED THAT SOON THERE WILL BE ONLY ONE OIL PRICE. YAMANI WARNED SAG MAY SOON LIMIT PRODUCTION TO 7.2 MILLION BPD. THIS PRODUCTION LEVEL WOULD THEN BE CUT BACK FURTHER AT A RATE OF 5 PERCENT PER MONTH UNTIL ISRAEL GIVES UP OCCUPIED TERRITORIES. JAMIESON SAID YAMANI SPEAKS FOR KING FAISAL. HE SAID THAT U.S. COULD NOT STAND ANY CURTAIL-

MENT IN SAUDI PRODUCTION NOW SINCE THERE ONLY 1 TO 1 1/2 PERCENT SPARE PRODUCTION CAPACITY AVAILABLE. ALREADY EXPORTS FROM EASTERN MEDITERRANEAN HAVE BEEN CUT BACK. MR. DORSEY NOTED THAT IF ITS INTERESTS IN KUWAIT OIL COMPANY WERE NATIONALIZED, GULF WOULD LOSE 1 1/2 MILLION BARRELS OF OIL PER DAY OF ITS 2 1/2 MILLION BPD SUPPLY. HE FEARED THAT THESE OIL RESOURCES WOULD THEN COME UNDER CONTROL OF FRENCH, ITALIAN OR JAPANESE INTERESTS.

6. COMPANY REPRESENTATIVES FELT THAT UNLESS USG MAKES STATEMENT COMPARABLE TO BRITISH GOVERNMENT ANNOUNCEMENT THAT IT WOULD SHIP NO ARMS TO MIDEAST AT THIS TIME, EMOTIONAL REACTION IN KUWAIT WILL GROW. JAMIESON SAID KING FAISAL HAS CONSISTENTLY SAID U.S. MUST DO SOMETHING POSITIVE. HE SAID FAISAL WOULD NOT BE SATISFIED WITH SALE TO SAUDI ARABIA OF A FEW PHANTOM AIRCRAFT. COMPANY REPRESENTATIVES HOPED THAT IF AT ALL POSSIBLE USG AVOID OVERT ACT OR STATEMENTS WHICH MIGHT BE MISINTERPRETED IN ARAB WORLD. THEY ALSO HOPED U.S. COULD MAKE POSITIVE STATEMENT AT THIS TIME WHICH WOULD HELP REDUCE PRESSURES ON ARAB OIL STATES.

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7. DEPUTY SECRETARY AGREED THAT LONGER FIGHTING GOES ON, MORE DANGEROUS SITUATION BECOMES. HE EXPLAINED THAT U.S. IS TRYING TO KEEP SOVIETS OUT WHILE MAINTAINING ITS OWN POSITION IN ARAB WORLD. WE ARE FULLY AWARE OF DANGERS TO OUR OIL INTERESTS IN THESE CIRCUMSTANCES AND ARE VERY CAREFULLY SEEKING TO AVOID STATEMENTS THAT MIGHT TRIGGER NEGATIVE ARAB REACTIONS. WHEN U.S. MENTIONED IN UN SECURITY COUNCIL POSSIBILITY OF CESSATION OF HOSTILITIES AND RETURN TO OCTOBER 6 LINES, WE HAD THOUGHT THIS WOULD FAVOR ARABS W

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